U.S. v. Joseph Percoco, et al.
Prepared Remarks of U.S. Attorney Preet Bharara
September 22, 2016

Good afternoon. My name is Preet Bharara, and I am the United States Attorney for the Southern District of New York.

Today, we unseal charges against nine men for wide-ranging crimes of corruption in New York. The allegations include bribery, bid-rigging, extortion, fraud, and false statements.

The defendants include, not just government insiders, but also corporate executives who made the criminal decision to pay bribes to help their businesses.

One of the nine men is Todd Howe, a powerful and connected lobbyist with close ties to the Governor's office. As to Howe, the charges have been proven. Yesterday, he pled guilty to an eight-count Information and is cooperating with the Government.

As to the other eight men, the charges at this stage are still merely allegations, but we intend to prove every single one of them at a fair trial in federal court.

The charges against these eight men are laid out in a detailed Complaint that runs to about 80 single-spaced pages. I commend it to your attention – the actual document – because I have time to give only a brief summary here.

In essence, today's Complaint shines a light on yet another sordid side of the show-me-the-money culture that has so plagued Albany.

It turns out that the state legislature does not have any kind of monopoly on crass corruption in New York.

The Complaint describes two overlapping criminal schemes.

In the first, we allege that Joseph Percoco, the former Executive Deputy Secretary to the Governor and therefore one of the most powerful people in all of New York, was on the take. Specifically, we allege that over time he solicited over $320,000 in bribes from two different companies with business before the state in exchange for official actions in their favor.

In the second, we allege pervasive corruption and fraud in the Buffalo Billion initiative and similar programs. Specifically, we intend to prove that real estate developers in Buffalo and Syracuse paid hundreds of thousands of dollars to Todd Howe, while they knew Howe was working for the State, supposedly to run a fair bidding process for state contracts. They made these payments, we allege, to be guaranteed to win those state contracts – in other words, hundreds of thousands in bribes in exchange for hundreds of millions in state contracts.

In each case, the bids were rigged and the results were preordained; companies got rich, and the public got bamboozled.

Let me spend a couple of minutes on each:

First, we allege a scheme in which Joseph Percoco abused his enormous power and influence as one of the Governor's closest aides to obtain bribes from two companies, one described in the Complaint as the Energy Company and the other as the Syracuse Developer.

Alleged bribes paid by the Energy Company were arranged by the defendant Peter Galbraith Kelly, who was working on behalf of that company to win state approvals for a $900 million power plant in upstate New York. Classic quid pro quo.

Here was the alleged quid: Kelly concocted a $90,000 a year low-show job for Percoco's wife.

While getting paid $90,000 a year, Percoco's wife never did more than 25 hours of work in a month, sometimes working as little as two or three hours in an entire month.

And the alleged quo: Percoco was essentially on call for the Energy Company – repeatedly called upon to exert official pressure on multiple state officials to find ways to help the Energy Company. That is laid out in the Complaint at pages 33-38.

The Complaint alleges also that Percoco was persistent in demanding bribe money and shows that official actions taken were done for the money. As the Complaint describes, Percoco and Howe used a colorful coded term for that bribe money – "ziti – which they apparently lifted from an episode of the Sopranos- as in "keep the ziti flowing" and "don't tip over the ziti wagon."

The second company that allegedly bribed Percoco was a Syracuse real estate development firm run by defendants Steven Aiello and Joseph Gerardi. In return for at least $35,000 in bribe payments, Percoco allegedly helped the company in its dealings with the Empire State Development Corporation, helped free up millions of dollars in state funds to be paid to the company, and even got Aiello's son – who worked in the Governor's office – a raise.

All told, Percoco and his wife pocketed $322,000 over the course of about four years.

The second scheme involves corruption and bid-rigging at the heart of massive state development projects, including the Buffalo Billion program.

As alleged, through rigged bids, state contracts worth nearly $1 billion for public development projects meant to revitalize and renew upstate New York were instead just another way to corruptly reward cronies willing to pay to play.

Alain Kaloyeros, the president of SUNY-Poly, and Todd Howe publicly made it appear as if these contracts were being awarded through a fair and open bidding process. But behind the scenes, they were cynically rigging the whole process so that the contracts would go to hand-picked "friends" of the administration, "friends" being a euphemism for large donors.

Howe made money on both sides – he served both as a paid consultant of the non-profit running the bidding process AND ALSO as a paid consultant to the developers seeking the contracts. This was, of course, an inherently corrupt arrangement.

With the heavy hand of Kaloyeros and Howe, bid proposals were secretly tailored to favor either the Syracuse Developer or the Buffalo Developer, respectively.

Rather than run a real bid– as was required by law and expected by the public – Kaloyeros and Howe ran a rigged process. For example:

The companies basically got to write the RFPs themselves – dictating the qualifications so they themselves would best qualify. For example, when the Syracuse developer saw that the RFP for the contract it wanted required "audited financials," Aiello and Gerardi got Kaloyeros to change it because a similar requirement had previously disqualified them on other public contracts.

The rigging of the bids became so blatant that, at one point, the Syracuse developer expressed concern in the margins of a draft RFP that was secretly shared with him, wondering, was that "too telegraphed?" – meaning maybe they were being too obvious and needed to be more subtle.

Similarly, with the Buffalo RFP, Kaloyeros included a requirement that the winning bid had to go to a local developer with over 50 years' of experience – a qualification conveniently held by Louis Ciminelli's Buffalo company. Kaloyeros later claimed it was a typo – claiming that the RFP was supposed to say 15 years, not 50 years. Even, an executive with the Buffalo developer, admitted in an email to Ciminelli that "50 was a bit obnoxious." It was more than a bit obnoxious – it was criminal.

I want to thank the FBI represented here today by Adam Cohen, Special Agent in Charge of the Buffalo Field Office, for their great work in this investigation. In particular, I want to thank Supervisory Special Agent Robert Gross, and Special Agents Gary Jensen, Ben Farnsworth and Kathleen Garber for their exemplary work on this investigation. I also want to thank the IRS represented here today by New York Special Agent in Charge Shantelle Kitchen. In particular, I want to thank Special Agent Karen Flanagan.

I also want to recognize the New York State Attorney General's Office who has their own separate investigation into related conduct. We appreciate their cooperation and coordination with our office.

Last, but not least, I thank the investigators and career prosecutors in my office who have worked on this important case. They have been relentless, thorough, and thoughtful – as they always are – on this and I thank them. In particular, I thank Assistant United States Attorneys Janis Echenberg, Robert Boone, David Zhou, and Matthew Podolsky, led by the Chief of our Public Corruption Unit, Andrew Goldstein. I also want to thank our incredible investigators Eric Blachman and Deleassa Penland.

As I said, these are just allegations and eight of these defendants are right now presumed innocent, guilt to be determined at a trial. And I will tell you – I really do hope there is a trial in this case, so that all New Yorkers can see – in gory detail – what their state government has been up to.